

MIDROC OPERATING COMPANY

333 TEXAS STREET, SUITE 1414
SHREVEPORT, LOUISIANA 71101-3679
(318) 221-6201 • FAX (318) 221-6203

October 30, 2007

GEOLOGICAL SURVEY
OF ALABAMA
STATE OIL & GAS BOARD
RECEIVED

NOV 02 2007

EXECUTIVE DIVISION

Dr. Berry H. Tew, Jr.
State Oil and Gas Board of Alabama
P. O. Box 869999
Tuscaloosa, Alabama 35486-6999

Re: Report on Unit Operations
Midroc Operating Company - Little Cedar Creek Oil Unit
Conecuh County, Alabama

Dear Dr. Tew,

Production from the Little Cedar Creek Oil Unit for the Month of August 2007 was 65,671 barrels of oil with 61,614 MCF of gas. During the month, there were 21 wells within the unit producing and 2 wells temporarily abandoned. The Tisdale 23-9 is awaiting installation of a gas compressor and flow line from the Sanders 23-9 surface location to commence gas lift and the Pugh 22-12 is waiting on a rig for further completion efforts. Cumulative production from all unit wells through July 2007 is 3,311,766 barrels of oil with 2,746,664 MCF of gas.

A hearing was held before the State Oil and Gas Board of Alabama on September 7, 2007 to redetermine tract participation based upon the addition of the Tisdale 23-9 and to consider the application to commence gas injection into the Cedar Creek Land & Timber 20-12 and the Cedar Creek Land & Timber 21-4 wells to attempt pressure maintenance within the Upper Smackover Formation. Gas injection was commenced in both wells on October 1, 2007.

There are currently 12 wells on artificial lift, 11 on hydraulic pump and 1 on gas lift. Efforts are currently underway to put the two wells which have been shut in, the Cedar Creek Land & Timber 30-1 and 19-15, back on production, utilizing hydraulic pumps as the means of artificial lift. Bottom hole pressure surveys were run on these wells on August 16, 2007, recording pressures of 2,788 psig on the 30-1 and 2,760 psig on the 19-15.

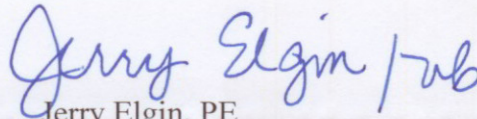
There are an additional 18 wells operated by Midroc within the Little Cedar Creek Field but outside the unit boundaries. The combined production of these wells for August 2007 was 77,513 barrels of oil and 65,039 MCF gas. Of the non-unit wells, 9 wells are flowing, 5 wells are on hydraulic pump, and 3 wells are on gas lift.

Midroc continues to monitor the production profiles and pressures of the lower portion of the Unitized Formation for the potential of enhanced recovery operations.

Dr. Berry H. Tew, Jr.
October 30, 2007
Page 2

Should questions arise regarding the information in this report, do not hesitate to contact the undersigned.

Sincerely,

A handwritten signature in blue ink that reads "Jerry Elgin /ab". The signature is written in a cursive style with a large initial "J" and a stylized "ab" at the end.

Jerry Elgin, PE
Midroc Operating Company

